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EASTERN EUROPE OFFERS LIMITED MARKET FOR MIDDLE EAST OIL

Recent East European barter arrangements with the Middle East for oil will result in only a small flow for at least several years. National oil companies of the Middle East states welcome these opportunities, however, to get a foothold in the oil market.

Moscow now supplies about 85 percent of the 35 million tons of oil required by Eastern Europe, except Romania which is a net exporter of oil. Commitments made to East European countries in return for investment in Soviet industry probably ensure that the USSR will remain their major supplier at least through the mid-1970s. Both the USSR and Eastern Europe are expanding the existing pipeline network so about 45 million tons of Soviet oil can be delivered in 1975. At that time an additional 10-15 million tons per year probably will also be delivered by sea.

Faced with oil production problems and a dependency on oil sales to Western countries for substantial hard currency earnings, the USSR has encouraged East European countries to develop other sources of supply. These countries are participating in a number of long-term deals calling for the delivery now of industrial goods and technical services that can be paid for

later with oil shipped by national oil companies in the Middle East. Hungary will send \$15 million worth of machinery and equipment to Iraq for the development of the North Rumaila field where the USSR also is involved. Recently, Czechoslovakia agreed to provide equipment, valued at \$32 million, for constructing a refinery at Basra. Both Czechoslovakia and Hungary also have agreements with Iran which they have recently reaffirmed.

The closure of the Suez Canal complicated the delivery of oil to Eastern Europe. The construction of pipelines is being considered by some Arab countries and could relieve this situation. A new trans-Israeli line paralleling an existing one that has carried small amounts of Iranian oil for transshipment to Romania is about to go into operation and may be used to transport more Iranian oil destined for Eastern Europe.

Czechoslovakia and Hungary find their landlocked positions to be a major obstacle to importing oil from the Middle East. A pipeline to those countries from the Mediterranean Sea across Yugoslavia has been discussed for several years but probably could not be operational before 1974.

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GREECE INCREASES TRADE WITH COMMUNIST COUNTRIES

Greece's recent trade agreements with several Communist countries represent a new approach to its balance-of-payments problem. Athens has hastened to point out that the agreements do not signal a political opening toward the East, but the moves, nevertheless, enable Greece to express effectively its pique with those Western nations that openly oppose the regime.

Increasingly concerned over a growing trade deficit, Greek officials have recently signed trade agreements with the USSR, Albania, Bulgaria, and Hungary. Greece will probably also establish a Chamber of Commerce mission in East Germany to promote the sale of Greek products there. The agreements are mutually advantageous because the USSR and Eastern Europe are often prepared to accept surplus Greek agricultural products in payment for capital goods, but prospects for an increase in trade appear limited.

Although the new agreements call for some rise in trade between Greece and the Communist nations, the recent charges in the Western press of substantial increases are greatly exaggerated. A Soviet Embassy official in Athens has explained that the new trade agreement is essentially an extension of the old one, with the level of trade unchanged. The actual volume of Soviet trade since 1966 has been below the level foreseen by past agreements. Greece and the USSR now will at-

tempt to close the gap between agreement and performance. With the exception of the Albanian trade agreement, which is entirely new, the situation has been similar with other East European nations.

The publicity that the regime has accorded these Eastern trade moves, however, may reflect Athen's pique over its treatment in the Council of Europe last December. At that time, the Greek regime withdrew from the council, accusing its members of interference in Greece's internal affairs, and threatened economic retaliation. Foreign Minister Pipinelis subsequently outlined the three basic criteria for future Greek trade agreements: friendship with all nations regardless of the government; mutual respect for national sovereignty; and noninterference in internal affairs.

This obviously excludes many Scandinavian countries and may ultimately involve the UK and West Germany, because of their support for the Scandinavian proposal to expel Greece from the Council. Thus, these new trade agreements may constitute a signal to the West that Greece is not altogether dependent upon traditional friends. Athens appears well aware of the potential political problems involved in dealing with Communist nations, however, and has assured Western officials that it will exercise close control over any Soviet technicians involved in projects in Greece.

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